

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 FS-01 ABF-01 EB-08 AID-05 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 L-03 DODE-00 PA-01 PRS-01 AGRE-00 INT-05
/090 W

-----162034Z 056911 /47

R 161000Z MAR 77

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 6917

INFO AMEMBASSY NEW DELHI

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NEW DELHI FOR FINATT

E.O. 11652: N/A

TAGS: EFIN, CE

SUBJECT: RUPEE REVALUATION HAS MIXED EFFECTS ON EXPORT PRICES

REF: COLOMBO 0912

1. BEGIN UNCLASSIFIED. IN MARCH 15 COLOMBO TEA AUCTION, WHICH WAS FIRST AUCTION SINCE REVALUATION, RUPEE EXPORT PRICES FELL APPROXIMATELY 7 PERCENT. TEA TRADE SPOKESMAN SAID, HOWEVER, THAT TAKING INTO CONSIDERATION REVALUATION AND SOMEWHAT LOWER QUANTITY, ACTUAL PRICES ROSE 2-3 PERCENT. ACCORDING TO PRESS REPORTS, PRICES AT LONDON AUCTIONS ROSE SHARPLY.

2. FIRST RUBBER SALES AFTER REVALUATION REGISTERED SHARP DROP IN LOCAL PRICES. PRICES INITIALLY FELL BY AS MUCH AS 25 PERCENT, BUT TRADERS SAID THIS REFLECTED FAILURE OF GSL TO ADJUST SLIDING EXPORT DUTY AS MUCH AS REVALUATION. WHEN EXPECTED DUTY REDUCTIONS ARE MADE,
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TRADERS ANTICIPATE EXPORT PRICES WILL SETTLE AROUND 11-12 PERCENT BELOW PRE-REVALUATION LEVELS.

3. EXPORT PRICES FOR DESICCATED COCONUT DROPPED APPROXIMATELY 18 PERCENT, WHILE COCONUT OIL PRICES FELL ABOUT 10 PERCENT. PRICES FOR WHOLE COCONUTS FOR INDUSTRIAL USE DECLINED ALMOST 12 PERCENT. SPICE

PRICES FELL 16-18 PERCENT, AND COFFEE (SRI LANKA IS A SMALL EXPORTER) WAS DOWN 16 PERCENT.

4. ACCORDING TO PRESS REPORTS, TRADE CHAMBERS REPRESENTING TEA, RUBBER, AND OTHER EXPORTERS ARE GATHERING DATA FOR AN APPEAL TO GSL FOR RELIEF FROM EFFECTS OF REVALUATION. REVALUATION CAUGHT EVERYONE BY SURPRISE AND FEW IF ANY EXPORTERS HAVE ANY FORWARD CONTRACTS TO CUSHION IMPACT. SMALL EXPORTERS OF NON-TRADITIONAL PRODUCTS (I.E., OTHER THAN TEA, RUBBER, AND COCONUTS) ARE PARTICULARLY HARD HIT. IMPORTERS ARE ALSO PETITIONING GSL TO APPLY NEW EXCHANGE RATES TO ORDERS ALREADY PLACED ABROAD BUT NOT YET DELIVERED. IMPORTERS POINT OUT THAT THIS WOULD ACCELERATE PROCESS OF PASSING ON LOWER IMPORT COSTS TO CONSUMERS. END UNCLASSIFIED.

5. BEGIN LIMITED OFFICIAL USE. COMMENT: BECAUSE OF SRI LANKA'S POSITION AS A MAJOR SUPPLIER TO WORLD TEA MARKET, REVALUATION MAY RESULT IN SIGNIFICANTLY HIGHER WORLD PRICES. TO EXTENT THIS OCCURS, SHORT-RUN IMPACT ON LOCAL PRODUCERS WILL BE MINIMIZED. IN LONGER RUN, HOWEVER, HIGHER WORLD PRICES SHOULD STIMULATE INCREASED PRODUCTION IN COMPETING COUNTRIES AND EASE WORLD DEMAND. PROSPECTS FOR GREATER OUTPUT IN SRI LANKA LIMITED BY LAND AVAILABILITY, DIFFICULTIES ARISING FROM 1975 NATIONALIZATION OF ESTATES, AND OTHER PROBLEMS. SRI LANKA'S PRODUCTION AND SHARE OF WORLD MARKET HAVE DECLINED STEADILY OVER PAST TEN YEARS. LIMITED OFFICIAL USE

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PROSPECTS FOR LOCAL TEA INDUSTRY AFTER REVALUATION EVEN WORSE THEN BEFORE. END LIMITED OFFICIAL USE. REED

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REVALUATIONS, RUPEE, EXPORT PRICES
Control Number: n/a
Copy: SINGLE
Sent Date: 16-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977COLOMB00942
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770090-0795
Format: TEL
From: COLOMBO
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770353/aaaabufz.tel
Line Count: 100
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 68c909b7-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 COLOMBO 912
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3089696
Secure: OPEN
Status: NATIVE
Subject: RUPEE REVALUATION HAS MIXED EFFECTS ON EXPORT PRICES
TAGS: EFIN, ETRD, CE
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/68c909b7-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009